

FLORENCE - DARLINGTON TECHNICAL COLLEGE

FLORENCE, SOUTH CAROLINA

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS AND SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2014

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

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**Florence-Darlington Technical College
Florence, South Carolina**

**Organizational Data
June 30, 2014**

AREA COMMISSION MEMBERS AND OFFICERS

Hood Temple, Chairperson, Florence County
Willie E. Boyd, Vice-Chairperson, Darlington County
Brian Newman, Secretary, Florence County
Chip Auman, Member, Darlington County
Alvin DeWitt, Member, Darlington County
Joseph L. Griffin, Member, Florence County
Alvin Heatley, Member, Darlington County
Missy Jay, Member, Florence County
Annie L. Jett, Member, Darlington County
Charlene G. Lowery, Member, Florence County

ADMINISTRATIVE STAFF

Dr. Ben Dillard, President
J. Timothy O'Dell, Vice-President for Business Affairs

Florence-Darlington counties contribute financially to the operations of the College.

AREA SERVED BY COLLEGE

Darlington County
Florence County
Marion County



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INDEPENDENT AUDITOR'S REPORT

Florence - Darlington Commission for Technical Education
Florence - Darlington Technical College
Florence, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Florence - Darlington Technical College, a component unit of the State of South Carolina, as of and for the years ended June 30, 2014 and June 30, 2013 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We did not audit the financial statements of Florence - Darlington Technical College Educational Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Florence - Darlington Technical College Educational Foundation, Inc. which represents 100 percent of the discretely presented component unit presented in the financial statements. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements insofar as it relates to the amounts included for Florence - Darlington Technical College Educational Foundation, Inc. as a discretely presented component unit, is based solely on the report of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards

require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Florence - Darlington Technical College, as of June 30, 2014 and June 30, 2013, and the respective changes in the financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Florence - Darlington Technical College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profits Organizations*, and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our report and the report of other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Harper, Poston & Moree, P.A.

Harper, Poston & Moree, P.A.
Certified Public Accountants

Georgetown, South Carolina
September 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



Growing the economy . . . one graduate at a time.

Management's Discussion and Analysis

The management of Florence-Darlington Technical College offers readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2014, and provides a comparison with the prior fiscal year ended June 30, 2013. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

2014 Financial Highlights

- The assets of Florence-Darlington Technical College exceeded its liabilities at June 30, 2014, by \$47,043,170 (net position). Of this amount, \$10,075,178 (unrestricted net position) may be used to meet the College's ongoing obligations.
- The College's net position increased by \$909,130 or 2.0%, primarily due to an increase in state and federal grant funds.
- The College experienced an operating loss of \$30,490,914 as reported in the Statement of Revenues, Expenses, and Changes in Net Position. However, this operating loss was offset by State appropriations of \$7,597,697, local appropriations of \$5,229,839, Federal grants and contracts of \$19,493,173 and other nonoperating revenues.

Overview of the Financial Statements

The College is engaged only in Business-Type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and noncurrent. The difference between total assets and total liabilities is net position, which is displayed in three broad categories: net investment in capital assets which is net of related debt, restricted and unrestricted. Net position is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses and Changes in Net Position is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized by operating and nonoperating, and expenses are reported by object type.

The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, noncapital financing, and investing activities. This statement also emphasizes the College's dependence on State and county appropriations by separating them from operating cash flows.

Financial statements for the Florence-Darlington Technical College Educational Foundation, Inc can be obtained by mailing a request to them at PO Box 100548, Florence, SC 29502. The Foundation's financial information is not included in this Management's Discussion and Analysis section.

A comparative analysis of data is presented in the following sections.

Financial Analysis

Net position may serve over time as a useful indicator of an entity's financial position. The largest portion of the College's net position (57%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Twenty-one percent of the College's net position represent resources that are subject to external restrictions on how they may be used. Unrestricted net position of \$10,075,178 (22%) may be used to meet the College's ongoing obligations.

This schedule is prepared from the College's Statements of Net Position as of June 30, 2014 and 2013 which is presented on an accrual basis of accounting where by assets are capitalized and depreciated (in millions):

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Current assets	\$15.80	\$15.05	\$.75
Non current assets			
Capital assets, net	45.38	47.03	(1.65)
Other	<u>10.38</u>	<u>8.98</u>	<u>1.40</u>
Total assets	<u>\$71.56</u>	<u>\$71.06</u>	\$ <u>.50</u>
Current liabilities	\$ 5.00	\$ 4.73	\$.27
Non current liabilities	<u>19.52</u>	<u>20.20</u>	<u>(.68)</u>
Total liabilities	24.52	24.93	(.41)
Net Position			
Investment in capital assets	26.93	27.55	(.62)
Restricted: expendable	10.04	8.61	1.43
Unrestricted	<u>10.07</u>	<u>9.97</u>	<u>.10</u>
Total liabilities and net position	<u>\$71.56</u>	<u>\$71.06</u>	\$ <u>.50</u>

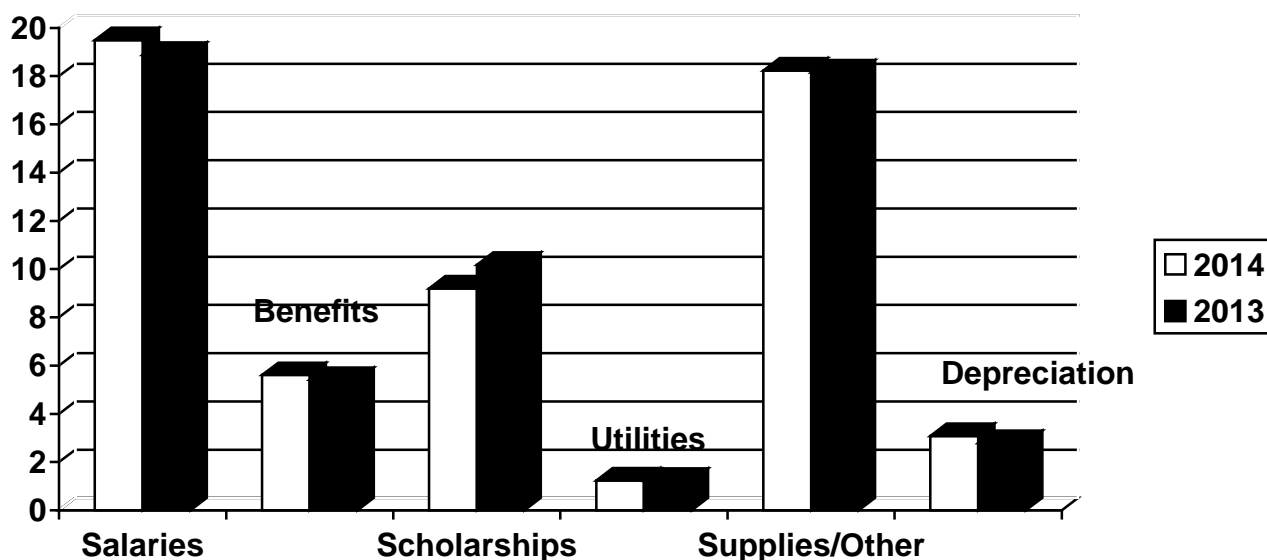
The following schedule summarizes the operating results for the two fiscal years (in millions):

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Operating Revenue			
Tuition and fees	\$11.78	\$11.88	\$ (.10)
Grants and contracts	11.66	10.81	.85
Auxiliary	2.85	2.82	.03
Other	<u>.07</u>	<u>.07</u>	<u>.00</u>
Total operating revenue	26.36	25.58	.78
Less operating expenses	<u>56.85</u>	<u>56.63</u>	<u>(.22)</u>
Net operating loss	(30.49)	(31.05)	.56
Non operating revenue and expenses			
State and county appropriations	12.83	12.25	.58
Other	<u>18.57</u>	<u>19.69</u>	<u>(1.12)</u>
Increase (Decrease) in net position	.91	.89	.02
Net position, beginning of year	<u>46.13</u>	<u>45.24</u>	
Net position, end of year	<u>\$47.04</u>	<u>\$46.13</u>	

As a result of the adoption of GASB Statements No. 34 and 35, changes in accounting principles have required a change in the recording of certain revenues and expenses (i.e., summer tuition revenue,

scholarship allowances, interdepartmental bookstore charges, indirect costs, capital equipment expenditures and depreciation). A large portion of the revenue included in the Other Non operating revenue category represents student financial assistance, which is used to pay tuition, fees and bookstore charges for students to attend the College. An approximation of tuition, fees and bookstore charges paid from this source of funds has been recognized as a reduction of tuition and fees and auxiliary revenue in the form of scholarship allowances, in order to eliminate duplication of revenues.

Note 17 of the accompanying notes to the financial statements identifies operating expenses by their functional classifications. The following graph illustrates the natural class categories of the operating expenses from the condensed operating results above (in millions).



The schedule below summarizes the cash flows for the fiscal years ended June 30, 2014 and 2013 for the College (in millions).

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Cash provided (used) by			
Operating activities	\$(26.75)	\$(29.00)	\$ 2.25
Noncapital financing activities	33.70	34.14	(.44)
Capital and related financing	(3.96)	(3.65)	(.31)
Investing activities	.04	.04	(.00)
Net (decrease) increase in cash	\$ <u>3.03</u>	\$ <u>1.53</u>	\$ <u>1.50</u>

Cash used for operating activities (tuition and fees, grants and contracts and auxiliary enterprise charges less payments to employees and vendors) is offset by cash provided from noncapital financing activities which includes state and local appropriations and federal student aid. Payments on debt and purchases of capital assets are included in the capital and related financing category.

Capital asset and debt administration

On August 28, 2014 the College used the \$16.24M series 2014 bond proceeds to advance refund all of the outstanding series 2005 Special Fee Revenue bonds and pay certain costs and expenses related to the issuance. The College has undertaken this refunding to achieve debt service savings with no extension of maturities. The Series 2014 bonds are payable from and secured by a pledge of a mandatory student fee. The College is in the planning stage for a new Automotive and HVAC technology building.

<u>Long-term debt</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Revenue bonds and premium	\$19,221,819	\$ 0	\$ 772,409	\$ 18,449,410
Capital lease	258,937	0	258,937	0
Total long-term debt	<u>\$19,480,756</u>	<u>\$ 0</u>	<u>\$1,031,346</u>	<u>\$ 18,449,410</u>

<u>Capital assets</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Land and improvements	\$ 1,910,053	\$ 0	\$ 0	\$ 1,910,053
Construction in progress	0	0	0	0
Buildings and improvements	63,754,159	0	0	63,754,159
Machinery and vehicles	14,797,443	2,256,336	1,257,148	15,796,631
Accumulated depreciation	<u>(33,428,446)</u>	<u>(3,080,807)</u>	<u>(428,259)</u>	<u>(36,080,994)</u>
Net capital assets	<u>\$47,033,209</u>	<u>\$ (824,471)</u>	<u>\$ (828,889)</u>	<u>\$45,379,849</u>

Economic factors

Appropriations from the State of South Carolina remained stable during fiscal year 2014 and the outlook for fiscal year 2015 is that state appropriations will remain stable with minor increases. The College has managed to offset past state funding decreases by boosting enrollment, implementing marginal tuition increases, and conservative budgeting. The College continues to benefit from a history of consistent financial support from Darlington and Florence counties. Standard and Poor's has upgraded the College to an 'A' rating and the College maintains an A2 rating by Moody's Investor Service.

College enrollment stabilized from fiscal year 2013 to 2014 after several years of dynamic growth which pushed college enrollment to over 6,000 students. During Fall 2014, the College is on track to experience record enrollment. Our enrollment performance among peer institutions remains strong. A ten-year Academic Master Plan has been approved so the College will be seeking funding to begin the Phase I projects within the next two years.

FINANCIAL STATEMENTS

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 9,863,430	\$ 8,264,394
Accounts Receivable, Net	4,061,788	5,487,193
Inventories	1,571,039	1,191,225
Prepaid Expense	304,436	106,124
Total Current Assets	\$ 15,800,693	\$ 15,048,936
Noncurrent Assets		
Restricted Cash and Cash Equivalents	\$ 10,037,553	\$ 8,609,587
Loans Receivable, Net	345,059	365,419
Capital Assets, Net of Accumulated Depreciation	45,379,849	47,033,209
Total Noncurrent Assets	\$ 55,762,461	\$ 56,008,215
Total Assets	\$ 71,563,154	\$ 71,057,151
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 1,598,783	\$ 702,086
Accrued Payroll and Related Liabilities	314,907	292,821
Interest Payable	287,346	304,128
Compensated Absences Payable	164,916	128,007
Restricted Unearned Revenue	167,704	445,602
Operating Unearned Revenue	1,596,703	1,641,288
Funds Held for Others	103,057	208,778
Revenue Bond and Capital Lease Payable - Current Portion	770,000	1,003,937
Total Current Liabilities	\$ 5,003,416	\$ 4,726,647
Noncurrent Liabilities		
Compensated Absences Payable	\$ 1,417,510	\$ 1,299,997
Perkins Loan Program - Federal Liability	419,648	419,648
Revenue Bond and Capital Lease Payable - Long Term Portion	17,679,410	18,476,819
Total Noncurrent Liabilities	\$ 19,516,568	\$ 20,196,464
Total Liabilities	\$ 24,519,984	\$ 24,923,111
NET POSITION		
Net Investment in Capital Assets	\$ 26,930,439	\$ 27,552,453
Restricted for		
Expendable		
Loans	44,595	42,248
Debt Service	9,992,958	8,567,339
Unrestricted	10,075,178	9,972,000
Total Net Position	\$ 47,043,170	\$ 46,134,040

The Accompanying Notes are an Integral Part of this Statement

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
REVENUES		
Operating Revenues		
Student Tuition & Fees (Net of Scholarship Allowance of \$11,081,777 For 2014 and \$9,711,438 for 2013)	\$ 8,922,844	\$ 9,072,779
Student Tuition & Fees (Pledged as Security for Revenue Notes)	2,852,463	2,807,987
Federal Grants and Contracts	7,564,395	6,905,182
State Grants and Contracts	4,099,318	3,902,875
Auxiliary Enterprise Charges (Net of Scholarship Allowance of \$2,212,619 for 2014 and \$1,804,705 for 2013)	2,845,063	2,821,609
Sales and Services of Education Departments	16,434	9,808
Other Operating Income	62,847	59,049
Total Operating Revenue	\$ 26,363,364	\$ 25,579,289
EXPENSES		
Operating Expenses		
Salaries	\$ 19,486,696	\$ 18,885,699
Benefits	5,606,307	5,409,673
Scholarships	9,197,608	10,177,315
Utilities	1,239,785	1,217,894
Supplies and Other Services	18,243,075	18,149,235
Depreciation	3,080,807	2,786,469
Total Operating Expenses	\$ 56,854,278	\$ 56,626,285
Operating Income (Loss)	\$ (30,490,914)	\$ (31,046,996)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations (See Note 16)	\$ 7,597,697	\$ 7,260,533
County Appropriations	5,229,839	4,986,935
Investment Income	39,999	40,522
Interest Expense on Capital Asset Related Debt	(880,749)	(917,281)
Federal Grants and Contracts	19,493,173	20,962,023
State Grants and Contracts	128,586	121,878
Private Grants and Support	177,716	549,107
Gain (Loss) on Disposal of Fixed Assets	(3,447)	0
Other Nonoperating Revenues	362,132	426,085
Total Nonoperating Revenues (Expenses)	\$ 32,144,946	\$ 33,429,802
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	\$ 1,654,032	\$ 2,382,806
State Capital Appropriations	\$ 193,553	\$ 814,270
Federal Capital Grants	0	64,313
Capital Assets Transferred to Other State Agencies	(825,442)	(2,137,311)
Paid to Other State Agencies	(113,013)	(230,703)
Increase (Decrease) in Net Position	\$ 909,130	\$ 893,375
Net Position - Beginning of Year (As Restated)	\$ 46,134,040	\$ 45,240,665
Net Position - End of Year	\$ 47,043,170	\$ 46,134,040

The Accompanying Notes are an Integral Part of this Statement

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees (Net of Scholarship Allowances)	\$ 11,231,752	\$ 11,615,405
Federal, State and Local Grants and Contracts	12,637,884	9,800,663
Auxiliary Enterprise Charges (Net of Scholarship Allowances)	2,325,654	2,664,125
Sales and Services of Education Departments	16,434	9,808
Other Receipts	62,847	59,049
Student Loans Proceeds	18,222,938	17,442,769
Student Loan Disbursements	(18,222,938)	(17,442,769)
Payments to Vendors	(33,687,588)	(34,312,466)
Payments to Employees	(19,332,274)	(18,841,536)
Net Cash Provided (Used) by Operating Activities	\$ (26,745,291)	\$ (29,004,952)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	\$ 7,842,221	\$ 7,052,384
County Appropriations	5,842,752	4,885,439
State, Local and Federal Grants, Gifts and Contracts - Nonoperating	20,011,572	22,205,476
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 33,696,545	\$ 34,143,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Appropriations	\$ 193,553	\$ 410,847
Federal Capital Grant	0	1,500,000
Principal Payment on Notes Payable	(1,003,937)	(965,740)
Interest Paid on Notes Payable and Capital Leases	(897,531)	(934,328)
Purchase of Capital Assets	(2,256,336)	(3,656,329)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (3,964,251)	\$ (3,645,550)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	\$ 39,999	\$ 40,522
Net Cash Provided (Used) by Investing Activities	\$ 39,999	\$ 40,522
 Net Increase (Decrease) in Cash	 \$ 3,027,002	 \$ 1,533,319
 Cash - Beginning of Year	 16,873,981	 15,340,662
Cash - End of Year	\$ 19,900,983	\$ 16,873,981

The Accompanying Notes are an Integral Part of this Statement

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	2014		2013
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (30,490,914)	\$	(31,046,996)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	3,053,398		2,759,060
Loss on Disposal of Assets	3,447		0
Change in Assets and Liabilities:			
Operational Receivables, Net	601,543		(818,972)
Loans Receivable, Net	20,360		47,428
Inventories	(379,814)		(150,163)
Deferred Charges and Prepaid Expenses	(198,312)		(8,082)
Accounts Payable & Sales Tax Payable	896,697		(15,225)
Accrued Payroll and Related Liabilities	22,086		29,624
Funds Held for Others	(105,721)		43,541
Compensated Absences	154,422		44,163
Unearned Revenue	(322,483)		110,670
Net Cash Provided (Used) by Operating Activities	\$ <u>(26,745,291)</u>	\$	<u>(29,004,952)</u>

SUPPLEMENTAL DISCLOSURES

Noncash Capital and Related Financing Activities

Transfer of Capital Assets (to)/from Other State Agencies			
Net of Accumulated Depreciation	\$ (825,442)	\$	(2,137,311)
Amortization of Bond Premium	27,409		27,409
Total Noncash Capital and Related Financing Activities	\$ <u>(798,033)</u>	\$	<u>(2,109,902)</u>

The Accompanying Notes are an Integral Part of this Statement

FLORENCE - DARLINGTON TECHNICAL COLLEGE EDUCATIONAL FOUNDATION, INC.

FLORENCE, SOUTH CAROLINA

COMPONENT UNIT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
ASSETS		
Cash	\$ 1,109,890	\$ 590,764
Pledges Receivable	218,250	60,775
Investments	1,383,803	1,519,270
Other Receivables	9,674	27,578
Prepaid Expenses	3,490	3,560
Inventory	3,388	0
Capital Assets, Net of Accumulated Depreciation	1,781,610	1,847,644
Land Held for Resale	406,520	406,520
Total Assets	<u>\$ 4,916,625</u>	<u>\$ 4,456,111</u>
LIABILITIES		
Accounts Payable	\$ 32,876	\$ 3,539
Due to Florence - Darlington Technical College	46,016	27,087
Deferred Revenue	100,000	112,500
Current Portion of Long Term Debt	47,916	45,708
Long Term Debt	1,728,182	1,775,908
Total Liabilities	<u>1,954,990</u>	<u>1,964,742</u>
NET ASSETS		
Unrestricted	\$ 14,213	\$ 1,005
Temporarily Restricted	2,293,416	1,659,046
Permanently Restricted	654,006	831,318
Total Net Assets	<u>\$ 2,961,635</u>	<u>\$ 2,491,369</u>
Total Liabilities and Net Assets	<u>\$ 4,916,625</u>	<u>\$ 4,456,111</u>

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

	2014	2013
SUPPORT AND REVENUE		
Contributions	\$ 1,594,165	\$ 749,757
Special Events	52,948	41,314
Rental (loss), Net	(62,158)	(64,510)
Marketable Securities Investments (loss) Return	50,812	165,064
Unrealized gains (losses) on Investments	180,443	0
Total Support and Revenue	<u>\$ 1,816,210</u>	<u>\$ 891,625</u>
EXPENSES		
Program Expenses	\$ 1,079,366	\$ 319,992
Scholarships	181,981	249,504
Fund Raising	0	8,423
Administrative Expenses	84,597	105,964
Total Expenses	<u>\$ 1,345,944</u>	<u>\$ 683,883</u>
Change in Net Assets	\$ 470,266	\$ 207,742
Net Assets - Beginning of Year	<u>2,491,369</u>	<u>2,283,627</u>
Net Assets - End of Year	<u>\$ 2,961,635</u>	<u>\$ 2,491,369</u>

The Accompanying Notes are an Integral Part of this Statement

NOTES TO FINANCIAL STATEMENTS

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Florence - Darlington Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Florence, Darlington and Marion counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be incomplete. Accordingly, the financial statements include the accounts of Florence-Darlington Technical College, as the primary government, and the accounts of Florence-Darlington Technical College Educational Foundation, Inc (the “Foundation”), its component unit. The College is considered a discretely presented component unit of the State of South Carolina as required by GASB No. 61. However, based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 37 member board of the Foundation is a self-perpetuating entity which consists of the president, one member of the area commission and graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements.

Financial statements for the Foundation can be obtained by mailing a request to Florence-Darlington Technical College Educational Foundation, P.O. Box 100548, Florence, South Carolina, 29501.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statements: The financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s net position, revenues, expenses, changes in net position and cash flows that replaces the fund-group perspective previously required.

The College implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current year. This statement defines which assets and liabilities are to be reported as deferred outflows and inflows of resources and identifies items previously reported as assets and liabilities that should be recognized as revenues or expenses when incurred. As required by GASB, this statement was implemented retroactively by restating beginning net position.

Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the South Carolina State Treasurer’s Office are considered cash equivalents.

Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, “Investment of Funds”. The College has implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures - an amendment to GASB Statement No. 3*. This statement requires disclosures related to deposits risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The college accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges, and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College’s grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out (“FIFO”) basis.

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations, and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

Unearned Revenues and Deposits: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement

Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of current and long-term liabilities in the statement of net position and as a component of salary and benefit expenses in the statement of revenues, expenses, and changes in net position.

Net Position: The College’s net position is classified as follows:

Net Investment in capital assets: This represents the College’s total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment of capital assets.

Restricted net position - expendable: Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted net position - nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

Income Taxes: The College is exempt from income taxes under the Internal Revenue Code.

Classification of Revenues: The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the following programs: Dental Hygiene and Cosmetology.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by the bookstore and food services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Nonexchange Transactions: Nonexchange transactions involving financial or capital resources are transactions in which the College either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The types of nonexchange transactions the College engages in include “Voluntary nonexchange transactions” (certain grants and donations), and “Imposed nonexchange transactions” (fines and penalties), and “Government-mandated nonexchange transactions.”

Voluntary nonexchange transactions usually involve eligibility requirements that must be met before transactions are recognized. The eligibility requirements can include one or more of the following:

- a. The recipient has the characteristics specified by the provider.
- b. Time requirements specified by the provider have been met.
- c. The provider offers resources on a reimbursement basis and allowable costs have been incurred under the allowable program.
- d. The provider’s offer of resources is contingent upon a specified action of the recipient and that action occurred.

Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as unearned revenue by recipients.

Assets from imposed nonexchange revenues are recognized when an enforceable legal claim to the assets arise or when the resources are received, whichever occurs first.

Capitalized Interest: The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. During the fiscal years ended June 30, 2014 and June 30, 2013, none of the interest cost met the criteria for capitalization.

Reclassifications: Certain amounts in the prior periods have been reclassified to conform to the current period financial statement presentation.

Restricted Cash: The restricted cash on the financial statements represents funds held at June 30, 2014 and June 30, 2013 that are restricted for the following purposes:

	June 30, 2014	June 30, 2013
Federal Perkins Loan	\$ 44,595	\$ 42,248
Debt Service	9,992,958	8,567,339
Total Restricted Cash	<u>\$ 10,037,553</u>	<u>\$ 8,609,587</u>

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Component Unit: Florence-Darlington Technical College Educational Foundation, Inc. maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets: Permanently Restricted Net Assets is subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Temporarily Restricted Net Assets is subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Undesignated Net Assets: Unrestricted Undesignated Net Assets is not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Designated Net Assets: Unrestricted Designated Net Assets is not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

During fiscal year 2014, the Foundation overspent the available fund balance in the Southeastern Institute of Manufacturing and Technology (SiMT) by \$132,080. This means the Foundation made these payments from other restricted funds without the approval of the donors. Because the Foundation does not maintain individual cash accounts for each fund, it has not been determined which donor's contributions were used to make these purchases.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits: State Law requires that a bank or savings and loan association receiving State funds must secure deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The College does not have a deposit policy for custodial credit risk. The deposits for the College at June 30, 2014 were \$19,635,579 and were fully insured or collateralized by securities held in the College's name.

Temporary cash investments are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risks of changes in value because of changes in interest rates. The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The following schedule reconciles deposits, investments, and petty cash funds to the Statement of Net Position amounts:

Primary Government:

	Deposits Not With State Treasurer	Petty Cash	Totals
<u>Cash and Investments</u>			
Petty Cash	\$ 0	\$ 33,650	\$ 33,650
Demand Deposits	19,867,333	0	19,867,333
	<u>\$ 19,867,333</u>	<u>\$ 33,650</u>	<u>\$ 19,900,983</u>

Statement of Net Position

	2014	2013
Cash and Cash Equivalents (Current)	\$ 9,863,430	\$ 8,264,394
Restricted Cash and Cash Equivalents (Noncurrent)	10,037,553	8,609,587
Total Cash and Investments	<u>\$ 19,900,983</u>	<u>\$ 16,873,981</u>
(On the Statement of Net Position)		

Disclosure of Deposits and Investments

	2014	2013
Carrying Value of Deposits and Investments	\$ 19,867,333	\$ 16,840,331
Cash on Hand	33,650	33,650
Total Cash, Deposits, and Investments	<u>\$ 19,900,983</u>	<u>\$ 16,873,981</u>

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Florence-Darlington Technical College does not maintain deposits that are denominated in a currency other than the United States dollar, therefore, the College is not exposed to this risk.

Interest Rate Risk: Interest Rate Risk is the risk that changes in the interest rates of debt instruments will adversely affect the fair value of an investment. Currently, the college is not exposed to interest rate risk. The College does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The college does not have an investment policy regarding credit risk. The College does not currently have investments that are exposed to credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College places no limits on the amount the College may invest in any one issuer. Currently, the College has no investments which are exposed to concentration of credit risk.

**Discretely Presented
Component Unit:**

<u>Cash and Investments</u>	Deposits Not With State Treasurer	Totals
Demand Deposits	\$ 1,109,890	\$ 1,109,890
	<u>\$ 1,109,890</u>	<u>\$ 1,109,890</u>

Deposits: The carrying amount of the Organization's deposits with financial institutions at June 30, 2014 was \$1,109,890 and the bank balance was \$1,109,890. The bank balance was secured as follows:

Cash in Bank, June 30, 2014	\$1,109,890
Less: FDIC insured amount	<u>(965,700)</u>
Uninsured Cash (Custodial Credit Risk)	<u>\$ 144,190</u>

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FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments at market value as of June 30, 2014 are summarized as follows:

<u>Investment Type</u>	<u>Fair Value Amount</u>
Money Market Funds	\$ 19,837
Preferred Stocks	14,130
Fixed Income	306,659
Real Estate Investment Trust	147,139
Equity Funds	<u>896,038</u>
TOTAL INVESTMENTS	\$ <u>1,383,803</u>

The methodology used for valuing the investment at fair value are quoted market prices in active markets for identical assets.

Florence-Darlington Technical College Foundation does not follow standards set by the Governmental Accounting Standards Board and accordingly has not disclosed interest rate risk, credit risk, and concentration of credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 and June 30, 2013, including applicable allowances for doubtful accounts, are summarized as follows:

Current Receivables:	<u>2014</u>	<u>2013</u>
Student Accounts	\$ 1,828,814	\$ 1,567,379
Industry and Other Sponsor Accounts	664,972	282,498
County Governments	152,479	765,392
Foundation	46,016	27,087
Federal Grants and Contracts	1,793,656	2,515,584
State Grants and Contracts	182,975	840,022
Other	<u>328,860</u>	<u>280,276</u>
Gross Receivables	\$ 4,997,772	\$ 6,278,238
 Less: Allowance for Doubtful Accounts	 <u>(935,984)</u>	 <u>(791,045)</u>
 Net Accounts Receivable	 <u>\$ 4,061,788</u>	 <u>\$ 5,487,193</u>

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – ACCOUNTS RECEIVABLE (continued)

Allowances for losses of student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2014, the allowance for uncollectible student accounts is valued at \$935,984 and at June 30, 2013, the allowance for uncollectible student accounts is valued at \$791,045.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program and Nursing Student Loan Program comprise substantially all of the loans receivable as of June 30, 2014 and as of June 30, 2013. The Perkins Loan Program provides various repayment options; students have the right to repay the loans over periods of up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. The remaining payments are classified as long-term loans receivable. As the College determines that Perkins loans are uncollectible, the loans are written off and assigned to the US Department of Education. The loans receivable as of June 30, 2014 and June 30, 2013 are summarized below:

	2014	2013
Perkins Loans	\$ 358,864	\$ 378,794
Nursing Loans	11,442	11,872
Gross Loans Receivable	\$ 370,306	\$ 390,666
Less: Allowance for Doubtful Accounts	(25,247)	(25,247)
Net Loans Receivable	<u>\$ 345,059</u>	<u>\$ 365,419</u>

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FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

<u>Primary Government:</u>	Beginning Balance July 1, 2013	Increases	Decreases	Ending Balance June 30, 2014
Capital Assets not being Depreciated:				
Land	\$ 1,910,053	\$ 0	\$ 0	\$ 1,910,053
Total Capital Assets not being Depreciated	\$ 1,910,053	\$ 0	\$ 0	\$ 1,910,053
Other Capital Assets:				
Buildings and Improvements	\$ 63,754,159	\$ 0	\$ 0	\$ 63,754,159
Machinery, Equipment, and Other	14,524,297	2,207,332	1,257,148	15,474,481
Vehicles	273,146	49,004	0	322,150
Total Other Capital Assets at Historical Cost	\$ 78,551,602	\$ 2,256,336	\$ 1,257,148	\$ 79,550,790
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ (20,486,217)	\$ (1,676,635)	\$ 0	\$ (22,162,852)
Machinery, Equipment, and Other	(12,697,530)	(1,393,434)	428,259	(13,662,705)
Vehicles	(244,699)	(10,738)	0	(255,437)
Total Accumulated Depreciation	\$ (33,428,446)	\$ (3,080,807)	\$ 428,259	\$ (36,080,994)
Other Capital Assets, Net	\$ 45,123,156	\$ (824,471)	\$ (828,889)	\$ 43,469,796
Total Capital Assets, Net	\$ 47,033,209	\$ (824,471)	\$ (828,889)	\$ 45,379,849
State Inventory listing Movable Equipment				\$ 15,796,630
Total Equipment per Books				15,796,630
Difference				\$ 0

Total depreciation expense for the years ended June 30, 2014 and June 30, 2013 was \$3,080,807 and \$2,786,469, respectively.

The decrease in Machinery, Equipment and Other includes assets valued at \$825,442 which were transferred to other State Agencies.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS (continued)

<u>Florence-Darlington Technical College Foundation:</u>	Beginning Balance July 1, 2013	Increases	Decreases	Ending Balance June 30, 2014
Capital Asset not being Depreciated:				
Land and Easements	\$ 453,064	\$ 0	\$ 0	\$ 453,064
Total Capital Assets not being Depreciated	\$ 453,064	\$ 0	\$ 0	\$ 453,064
Other Capital Assets:				
Building and Improvements	\$ 1,632,997	\$ 0	\$ 0	\$ 1,632,997
Furniture and Fixtures	272,073	884		272,957
Total Other Capital Assets	\$ 1,905,070	\$ 884	\$ 0	\$ 1,905,954
Less Accumulated Depreciation for:				
Building and Improvements	\$ (354,706)	\$ (40,930)	\$ 0	\$ (395,636)
Furniture and Fixtures	(155,784)	(25,988)		(181,772)
Total Accumulated Depreciation	\$ (510,490)	\$ (66,918)	\$ 0	\$ (577,408)
Other Capital Assets, Net	\$ 1,394,580	\$ (66,034)	\$ 0	\$ 1,328,546
Total Capital Assets, Net	\$ 1,847,644	\$ (66,034)	\$ 0	\$ 1,781,610

Total depreciation expense for the years ended June 30, 2014 and June 30, 2013 was \$66,918 and \$66,701, respectively.

NOTE 6 - PLEDGES RECEIVABLE

The composition of Discretely Presented Component Unit Pledges Receivable at June 30, 2014 is summarized as follows:

Pledges receivable due in less than one year	\$ 25,000
Pledges receivable due from one to five years	125,000
Pledges receivable due in more than five years	75,000
Less: Present value discount	<u>(6,750)</u>
Net Pledges Receivable	<u>\$ 218,250</u>

Pledges receivable represent an unconditional promise to give at June 30, 2014. This amount is recorded as contributions based upon the net present value of the amounts expected to be collected. The Foundation used a discount rate of 3.0% for June 30, 2014 on the pledges to determine the present value of pledges receivable. The Foundation had one pledge of \$30,000 that was considered uncollectible and was written off as uncollectible in 2014.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

On July 1, 2013, the required employee contribution increased to 7.50 percent. Effective July 1, 2013, the employer contribution rate became 15.52 percent which included a 4.92 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2014, 2013, and 2012, were \$1,609,675, \$1,606,430 and \$1,380,320, respectively, and equaled the required contributions (excluding the surcharge) for each year. Also, the College paid employer group-life insurance contributions of \$23,105 in the current fiscal year at the rate of .15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – PENSION PLANS (continued)

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.45 percent plus the retiree surcharge of 4.92 percent from the employer in fiscal year 2014. A direct remittance is required from the employers to the investment providers for the employee contribution (7.50 percent) and a portion of the employer contribution (5 percent). Also, a direct remittance is required to SCRS for a portion of the employer contribution (10.37 percent), which must be retained by SCRS.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$193,569 (excluding the surcharge) from Florence-Darlington Technical College as employer and \$138,925 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$2,778 in the current fiscal year at the rate of .15 percent of compensation.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI Program will be required to make SCRS contributions. Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program, prior to July 1, 2005 will not be required to make SCRS contributions.

NOTE 8 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS (continued)

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$1,324,107 for the year ended June 30, 2014. As discussed in Note 7, the College paid \$848,997 applicable to the 4.92 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College's retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the Systems' earnings; however a portion of the required amount is appropriated from the State General Fund annually for the SCRS benefits.

NOTE 9 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2014, the College had no remaining commitment balances with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities.

The College anticipates funding these projects out of current resources. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The College has expended all authorized State Capital Improvement Bonds available to draw at June 30, 2014.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – LEASE OBLIGATIONS

Operating

Operating lease payments during the fiscal year ended June 30, 2014, totaled \$102,623 to the discretely presented component unit. The College rents 30 copiers that meet the definition of contingent rentals plus 24 student print stations. During the fiscal year ending June 30, 2014 the College expended \$119,380 to external parties for these contingent rentals which are based upon the copier machine usage.

Year Ending June 30,	Operating Leases with Discretely Presented Component Unit
2015	\$ 102,623
2016	102,623
2017	34,208
Total	<u>\$ 239,454</u>

Capital

Capital lease payments during the fiscal year ended June 30, 2014 totaled \$267,424 which included \$8,488 of interest to an external party. Equipment acquired under this capital lease was valued at \$775,018 and the accumulated depreciation at June 30, 2014 was \$775,018. This capital lease obligation had no outstanding balance at June 30, 2014.

NOTE 11 – BONDS PAYABLE

Bonds Payable consisted of the following at June 30, 2014:

Revenue Bonds	Interest Rate	Maturity Date	Balance
Series 2005A	3.00% to 5.00%	03/01/30	\$ 18,020,000
Total Bonds Payable			<u>\$ 18,020,000</u>

Revenue Bonds are payable from and secured solely by a pledge of special fee revenue derived from the fees charged by the College to fund capital additions.

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FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 – BONDS PAYABLE (continued)

The scheduled maturities of the bonds payable are as follows:

Revenue Bond Series 2005A	Principal	Interest	Total Payable
2015	\$ 770,000	\$ 862,038	\$ 1,632,038
2016	800,000	832,200	1,632,200
2017	840,000	793,200	1,633,200
2018	885,000	751,200	1,636,200
2019	930,000	706,950	1,636,950
2020-2024	5,385,000	2,789,750	8,174,750
2025-2029	6,845,000	1,323,600	8,168,600
2030	1,565,000	70,425	1,635,425
	<u>\$ 18,020,000</u>	<u>\$ 8,129,363</u>	<u>\$ 26,149,363</u>

NOTE 12 – LONG-TERM LIABILITIES

Primary Government:	June 30, 2013	Additions	Reductions	June 30, 2014	Due within One Year
Bonds Payable:					
Revenue Bond Payable	\$ 18,765,000	\$ 0	\$ 745,000	\$ 18,020,000	\$ 770,000
Plus Unamortized Premium	456,819	0	27,409	429,410	0
Total Bonds Payable	19,221,819	0	772,409	18,449,410	770,000
Capital Lease	258,937	0	258,937	0	0
Accrued Compensated Absences	1,428,004	1,582,426	1,428,004	1,582,426	164,916
TOTAL	<u>\$ 20,908,760</u>	<u>\$ 1,582,426</u>	<u>\$ 2,459,350</u>	<u>\$ 20,031,836</u>	<u>\$ 934,916</u>

Discretely Presented Component

Unit:	June 30, 2013	Additions	Reductions	June 30, 2014	Due within One Year
Notes Payable	\$ 1,821,616	\$ 0	\$ 45,518	\$ 1,776,098	\$ 47,916
Total Notes Payable	<u>\$ 1,821,616</u>	<u>\$ 0</u>	<u>\$ 45,518</u>	<u>\$ 1,776,098</u>	<u>\$ 47,916</u>

Aggregate maturities or payments required on principal under the long-term debt obligation for each of the succeeding five years are as follows:

2015	\$ 47,916
2016	50,444
2017	53,104
2018	55,904
2019	58,852
After 2019	1,509,878
Total	<u>\$ 1,776,098</u>

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational program. Financial statements for these entities are audited by independent auditors retained by them. They include the Florence-Darlington Technical College Educational Foundation, Inc. and SCATE, Inc. Following is a more detailed discussion of these two entities and a summary of significant transactions between them and the College for the year ended June 30, 2014.

SCATE, Inc.

Management reviewed its relationship with SCATE, Inc. under the existing guidance of GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. The College excluded this organization from the reporting entity because it is not financially accountable for it, and SCATE Inc.'s assets are not significant to the College's overall assets.

SCATE, Inc. is a separately chartered corporation organized exclusively for educational purposes for the support of the SCATE Center of Excellence located at Florence-Darlington Technical College. The College's statements include contractual payments of \$293,537 to SCATE, Inc. during the fiscal year. SCATE, Inc.'s assets as of June 30, 2014 were \$508,554. At June 30, 2014 there were \$7,967 of payables due to SCATE, Inc. and no receivables due from SCATE, Inc.

The Florence-Darlington Technical College Foundation, Inc.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Because of the nature and the significance of its relationship with the College, the Foundation is considered a component unit of the College.

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors.

The College recorded non-governmental gifts receipts of \$148,841 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2014. These funds were used to support College programs such as scholarships.

The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space, administrative and support services to the Foundation. The value of this office space and these services was approximately \$84,057 for the year ended June 30, 2014.

The Foundation's assets as of June 30, 2014 were \$4,916,625.

Amounts due from the Foundation as of June 30, 2014 are \$46,016.

NOTE 14 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 – RISK MANAGEMENT (continued)

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 15 – AGENCY FUNDS

The agency fund accounts for Federal Direct Loan flow through transactions and Student Activity Funds. The Student Activity Fund is used to account for assets held by the College as an agent for others, such as student organizations. These organizations exist with the explicit approval of and are subject to revocation by the College. Student Activity Funds are custodial in nature (assets equal liabilities). The following is a summary of the changes in the Student Activity Fund and Federal Direct Loan Funds:

	June 30, 2013				June 30, 2014
	Balance	Receipts	Disbursements		Balance
Federal Direct Loans	\$ 0	\$ 18,222,938	\$ 18,222,938	\$	0
Student Activity	\$ 208,778	\$ 347,495	\$ 453,216	\$	103,057

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 16 – STATE APPROPRIATIONS

State General funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a detail schedule of State General appropriations revenue reported in the financial statements for the fiscal years ended June 30, 2014 and June 30, 2013:

<u>NON-CAPITAL APPROPRIATIONS</u>	<u>2014</u>	<u>2013</u>
Current Year's Appropriations		
Appropriations per State Board Allocation	\$ 6,009,767	\$ 5,827,274
Entrepreneurial Operations	1,209,088	1,209,088
Lottery Technology funds	318,684	103,052
Nursing Faculty Salary Supplemental Funds	22,374	22,374
Pathways to Prosperity	37,784	37,784
ReadySC Operations	0	60,961
Total non-capital appropriations recorded as current year revenue	\$ <u>7,597,697</u>	\$ <u>7,260,533</u>
 <u>CAPITAL APPROPRIATIONS</u>	 <u>2014</u>	 <u>2013</u>
Current Year's Appropriations		
State Deferred Maintenance funds	\$ 193,553	\$ 814,270
Total capital appropriations recorded as current year revenue	\$ <u>193,553</u>	\$ <u>814,270</u>

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FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 17 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the years ended June 30, 2014 and June 30, 2013 are summarized as follows:

June 30, 2014

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 9,601,234	\$ 2,857,385	\$ 0	\$ 0	\$ 3,202,391	\$ 0	\$ 15,661,010
Academic Support	3,358,200	765,000	0	0	2,687,078	0	6,810,278
Student Services	2,060,427	612,195	0	0	2,357,530	0	5,030,152
Operation and Maintenance of Plant	801,750	247,388	0	1,229,945	3,081,106	0	5,360,189
Institutional Support	3,431,570	1,055,212	0	0	3,005,852	0	7,492,634
Scholarships	0	0	9,197,608	0	0	0	9,197,608
Auxiliary Enterprises	233,515	69,127	0	9,840	3,909,118	0	4,221,600
Depreciation	0	0	0	0	0	3,080,807	3,080,807
Total Operating Expenses	<u>\$ 19,486,696</u>	<u>\$ 5,606,307</u>	<u>\$ 9,197,608</u>	<u>\$ 1,239,785</u>	<u>\$ 18,243,075</u>	<u>\$ 3,080,807</u>	<u>\$ 56,854,278</u>

June 30, 2013

	Salaries	Benefits	Scholarships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 9,382,180	\$ 2,750,919	\$ 0	\$ 0	\$ 2,947,361	\$ 0	\$ 15,080,460
Academic Support	3,207,103	747,769	0	0	3,245,325	0	7,200,197
Student Services	2,020,058	597,143	0	0	2,336,130	0	4,953,331
Operation and Maintenance of Plant	756,359	231,268	0	1,208,177	3,882,297	0	6,078,101
Institutional Support	3,301,364	1,019,392	0	0	2,122,733	0	6,443,489
Scholarships	0	0	10,177,315	0	0	0	10,177,315
Auxiliary Enterprises	218,635	63,182	0	9,717	3,615,389	0	3,906,923
Depreciation	0	0	0	0	0	2,786,469	2,786,469
Total Operating Expenses	<u>\$ 18,885,699</u>	<u>\$ 5,409,673</u>	<u>\$ 10,177,315</u>	<u>\$ 1,217,894</u>	<u>\$ 18,149,235</u>	<u>\$ 2,786,469</u>	<u>\$ 56,626,285</u>

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FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 18 - REQUIRED INFORMATION ON BUSINESS TYPE ENTITIES

	<u>2014</u>	<u>2013</u>	<u>DIFFERENCE</u>
Charges for Services	\$ 26,300,517	\$ 25,520,240	\$ 780,277
Operating Grants and Contributions	25,494,292	27,145,599	(1,651,307)
Capital Grants and Contributions	0	64,313	(64,313)
Less: Expenses	(57,738,474)	(57,543,566)	(194,908)
Net Program Revenue (Expense)	<u>(5,943,665)</u>	<u>(4,813,414)</u>	<u>(1,130,251)</u>
Transfers:			
State Appropriations	7,597,697	7,260,533	337,164
State Capital Appropriations	193,553	814,270	(620,717)
Less: Transfers out to State			
Agencies/Funds	(938,455)	(2,368,014)	1,429,559
Total General Revenue and Transfers	<u>6,852,795</u>	<u>5,706,789</u>	<u>1,146,006</u>
Change in Net Position	909,130	893,375	15,755
Net Position - Beginning of Year	46,134,040	45,240,665	893,375
Net Position - End of Year	<u>\$ 47,043,170</u>	<u>\$ 46,134,040</u>	<u>\$ 909,130</u>

NOTE 19 - PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS

The College received goods and/or services from other South Carolina higher education institutions for a fee during the fiscal year ended June 30, 2014:

<u>Institution:</u>	<u>Amount:</u>
Research Institution:	
Clemson	\$ 421,557
Teaching Institution:	
Francis Marion University	\$ 5,117
Technical Colleges:	
Aiken Technical College	\$ 245,890
Central Carolina Technical College	323,995
Denmark Technical College	304,398
Greenville Technical College	116,209
Horry-Georgetown Technical College	2,459
Midlands Technical College	227,447
Northeastern Technical College	14,220
Orangeburg-Calhoun Technical College	368,365
Piedmont Technical College	253,598
Williamsburg Technical College	<u>281,242</u>
Total	<u>\$2,564,497</u>

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 20 – TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 21 - ACCOUNTS PAYABLE

Accounts payable as of June 30, 2014 are summarized as follows:

Payables:	
Accounts Payable	\$ 435,390
Accounts Payable from Federal Grants	267,605
Accounts Payable from State Grants	801,636
Accounts Payable – Student Refunds	<u>94,152</u>
Total Accounts Payable	<u>\$1,598,783</u>

NOTE 22 – SUBSEQUENT EVENT

On August 28, 2014, Florence – Darlington Technical College issued the Florence – Darlington Commission for Technical Education Special Fee Refunding Revenue Bonds, Series 2014, in the amount of \$16,240,000 to advance refund all the outstanding Special Revenue Bonds, Series 2005A, issued by the commission on March 9, 2005, and to pay certain costs and expenses relating to the issuance of the Series 2014 bonds. This refunding bond was at an interest rate of 2.97% as compared to the interest rate of 4.74% of the Series 2005A bonds. The total savings from this refunding bond was \$4,122,079.

NOTE 23 – NET POSITION RESTATEMENT

The implementation of GASB 65 resulted in the reclassification of beginning net position for debt issuance costs that were previously reported as deferred charges.

	June 30, 2013
Beginning Net Position, As Originally Reported	\$ 45,515,808
Change in Reporting Debt Issuance Costs	<u>(275,143)</u>
Beginning Net Position, As Restated	<u>\$ 45,240,665</u>

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 24 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68*. The primary objectives of these statements are to improve accounting and financial reporting by State and Local Governments for pensions. These statements will become effective for the College in the 2015 year and are required to be implemented simultaneously. Management has not yet determined the impact of these statements on the financial statements.

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SINGLE AUDIT ACT REQUIREMENTS

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Project Number	Federal CFDA Number	Expenditures
U.S. Department of Education			
Direct Programs			
TRIO Cluster			
TRIO - Upward Bound	P047A120511	84.047	\$ 334,189
TRIO - Student Support Services	P042A100269	84.042	220,471
Total - Trio Cluster			\$ 554,660
Student Financial Aid Cluster			
Federal Work Study	P033A123782	84.033	\$ 189,296
SEOG	P007A113782	84.007	221,853
SEOG	P007A123782	84.007	18,542
PELL	P063P122478	84.063	23,210
PELL	P063P112478	84.063	17,763,755
Federal Stafford Loans Direct Loans	P268K142478	84.268	18,107,528
Federal Stafford Loans Third Party Lenders	None	84.032	115,410
Federal Perkins Loan Program	None	84.038	400,709
Total - Student Financial Aid Cluster			\$ 36,840,303
Title III	P031A090139	84.031A	\$ 506,992
Gear Up	P334S110019	84.334S	77,153
CCAMPIS	P355A100003	84.335A	97,089
RISE	P382A110026	84.382A	337,364
Total U.S. Department of Education Direct Programs			\$ 38,413,561
Pass Through State Dept. of Education			
Perkins IV	13VA406	84.048	\$ 346,085
Total Pass Through State Dept. of ED.			\$ 346,085
Total U.S. Department of Education			\$ 38,759,646
U.S. Department of Labor			
Direct Programs			
ASSIST - Trade Adjustment Assistance Community			
College & Career Training	TC-22521-11-60-A-45	17.282	\$ 5,985,026
BOOST - Better Occupational Outcomes with Simulation			
Training	TC-25073-13-60-A-45	17.282	106,613
Total U.S. Department of Labor Direct Programs			\$ 6,091,639

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Project Number	Federal CFDA Number	Expenditures
National Science Foundation			
Direct Programs			
ATE - Advancing Faculty Development & Program Improvement	1003733	47.076	\$ 261,820
ATE - Expanding Excellence in Technical Education	602710	47.076	2,393
ATE - Cyber Gen Tech Stars	806514	47.076	73,922
ATE - Mentor Connect	1204463	47.076	318,559
ATE - Scholarships in Science, Technology, Engineering and Math	602710	47.076	104,356
Total National Science Foundation Direct Programs			\$ 761,050
Pass Through Clemson University			
National Science Foundation	1570-206-2008657	47.076	\$ 42,718
Total Pass Through Clemson University			\$ 42,718
Total National Science Foundation			\$ 803,768
United States Department of Health and Human Services			
Pass Through Greenville Technical College			
Teach Early Childhood Scholars	None	93.575	\$ 3,443
Total Pass Through Greenville Technical College			\$ 3,443
Total United States Department of Health & Human Services			\$ 3,443
Nuclear Regulatory Commission			
Direct Programs			
High - Tech Online	NRC-HQ-12-G-38-0051	77.006	\$ 11,282
Total Nuclear Regulatory Commission			\$ 11,282
Small Business Administration			
Pass Through Winthrop College			
Small Business	None	59.037	\$ 11,437
Total Small Business Administration			\$ 11,437
US Department of Agriculture			
Pass Through SC Department of Social Service			
SNAP	None	10.561	\$ 862,004
Total US Department of Agriculture			\$ 862,004
Total Federal Programs			\$ 46,543,219

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Florence - Darlington Technical College and is presented on the accrual basis, the same basis of accounting used to prepare the basic financial statements as described in Note 1 to the financial statements.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the basic financial statements (or reported in the federal financial reports).

2. FEDERAL NON-CASH ASSISTANCE

Florence - Darlington Technical College did not receive or expend federal awards in the form of non-cash assistance and had no federal loan guarantees at June 30, 2014.

3. DETERMINATION OF MAJOR PROGRAMS

Major federal programs were determined in accordance with OMB Circular A-133. For the year ended June 30, 2014, the following programs were determined to be major programs in accordance with OMB Circular A-133: Student Financial Aid Cluster, SNAP, Perkins IV, Title III, and National Science Foundation. Since the Student Financial Aid Cluster included U.S. Department of Education, the direct loan program, it was deemed to be a large loan program for single audit major program determination. The dollar threshold for Type A programs was \$300,000.

4. FEDERAL LOAN PROGRAMS

The College has students who have been approved for Federal Family Education Loan Program's loans which were received by those students during the current year. The College is not the lender of the loans; it only processes them for the lender the student chooses. The total loans received and accounted for in an agency fund were as follows: Direct Loans - \$18,107,528, and Third Party Stafford Loans - \$115,410. These loans have been recorded on the schedule of expenditures of federal awards; however, the responsibility for administration and collection passes to the U.S. Department of Education or other lending agencies after the loans are disbursed.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

4. FEDERAL LOAN PROGRAMS (continued)

The College also administers the following campus - based federal loan programs:

	<u>CFDA Number</u>	<u>Outstanding Balance</u>
Perkins Student Loans	84.038	\$ 356,114
Perkins Revolving Loan Fund		<u>44,595</u>
Total Federal Perkins Loan		<u>\$ 400,709</u>

5. RECONCILIATION OF REVENUE TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Total per Expenditures of Federal Awards \$46,543,219

Total Federal Revenue:

Federal Operating Grants	\$ 7,564,395
Federal Non-operating Grants	19,493,173
SNAP Revenue Included in Continuing Education Revenue	<u>862,004</u>
	<u>\$27,919,572</u>

Total Loans:

Perkins Student Loans and Loan Fund	\$ 400,709
Federal Direct Loans	18,107,528
Federal Stafford Third Party Loans	<u>115,410</u>
	<u>\$18,623,647</u>

6. FLORENCE – DARLINGTON TECHNICAL COLLEGE AID TO SUB RECIPIENTS

Florence – Darlington Technical College provided the following ASSIST Grant funds (CFDA #17.282) to the following sub recipients:

Aiken Technical College	\$ 312,337
Central Carolina Technical College	317,876
Denmark Technical College	290,798
Horry-Georgetown Technical College	268,481
Midlands Technical College	197,316
Northeastern Technical College	268,265
Orangeburg-Calhoun Technical College	321,349
Piedmont Technical College	250,006
Williamsburg Technical College	268,985
Clemson University	461,362
SCATE, Inc.	202,490
SC Commission for Minority Affairs	<u>27,024</u>

Total \$3,186,289



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Florence - Darlington Commission for Technical Education
Florence - Darlington Technical College
Conway, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florence - Darlington Technical College, as of and for the year ended June 30, 2014 and the related notes to the financial statements which collectively comprise Florence - Darlington Technical College's basic financial statements and have issued our report thereon dated September 29, 2014. Our report includes a reference to other auditors who audited the financial statements of Florence - Darlington Technical College Educational Foundation, Inc., as described in our report on Florence - Darlington Technical College's financial statements. The financial statements of Florence - Darlington Technical College Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florence - Darlington Technical College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florence - Darlington Technical College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a

deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

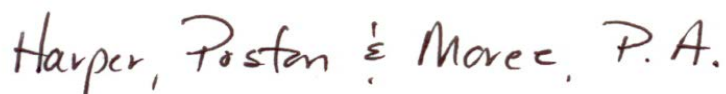
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harper, Poston & Moree, P.A.
Certified Public Accountants

Georgetown, South Carolina
September 29, 2014



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Florence - Darlington Commission for Technical Education
Florence - Darlington Technical College
Florence, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Florence - Darlington Technical College's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Florence - Darlington Technical College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Florence - Darlington Technical College's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Florence - Darlington Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Florence - Darlington Technical College's compliance.

Opinion on Each Major Federal Program

In our opinion, Florence - Darlington Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Florence - Darlington Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harper, Poston & Moree, P.A.

Harper, Poston & Moree, P.A.
Certified Public Accountants

Georgetown, South Carolina
September 29, 2014

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A. SUMMARY OF THE AUDITOR'S RESULTS

1. The independent auditor's report on the financial statements expressed an unmodified opinion.
2. There were no significant deficiencies or material weaknesses in internal control over financial reporting disclosed in the auditor's report on internal control over financial reporting and on compliance and other matters based on an audit performed in accordance with *Government Auditing Standards*.
3. The audit disclosed no material noncompliance matters in relation to the financial statements.
4. There were no significant deficiencies or material weaknesses in internal control over compliance applicable to major programs reported in the auditor's report on compliance and internal control over compliance with major federal award programs.
5. The report on compliance for major programs expressed an unmodified opinion.
6. The audit disclosed no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).
7. The major programs of Florence - Darlington Technical College included in the audit were:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Workstudy	84.033
SEOG	84.007
Pell	84.063
Federal Stafford Loans	84.032
Federal Direct Loan	84.268
Federal Perkins Loans	84.038
Title III	84.031A
Perkins IV	84.048
U.S. Department of Agriculture	
SNAP Program	10.561
National Science Foundation	47.076

8. The dollar threshold for Type A programs for Florence – Darlington Technical College was \$300,000. It was determined that the student financial aid cluster which included the national direct subsidized and unsubsidized loans should be excluded from the determination and audited as a major program.
9. Florence – Darlington Technical College qualified as a low-risk auditee.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

B. FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

1. No matters were reported.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. No matters were reported.

FLORENCE - DARLINGTON TECHNICAL COLLEGE
FLORENCE, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Prior Year Findings - Major Federal Award Programs

No matters were reported.